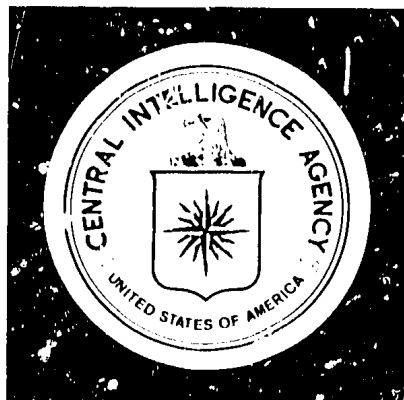


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# Weekly Summary

**Secret**

No. 0043/75

October 24, 1975

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The WEEKLY SUMMARY, issued every Friday morning by the Office of Current Intelligence, reports and analyzes significant developments of the week through noon on Thursday. It frequently includes material coordinated with or prepared by the Office of Economic Research, the Office of Strategic Research, the Office of Geographic and Cartographic Research, and the Directorate of Science and Technology. Topics requiring more comprehensive treatment and therefore published separately as Special Reports are listed in the contents.

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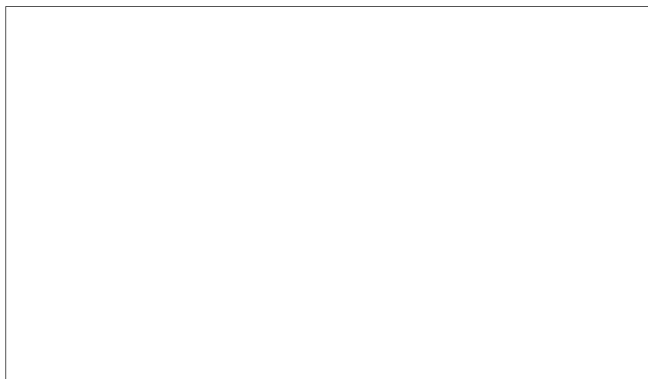
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**SPAIN: FACING THE TRANSITION**

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The outlook for General Franco's survival from the severe heart attack suffered earlier this week remains guarded because of the danger of another attack that is likely to be fatal. Even if the 82-year-old leader should linger on, he will lack the stamina and ability to fulfill his duties.



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Franco and Juan Carlos

If Franco clings to office and refuses to transfer his powers to Juan Carlos, pressures will mount for the government to invoke the constitutional provisions declaring the chief of state incapacitated and invest Juan Carlos with these powers. These procedures require recognition of the chief of state's incapacitation by a two-thirds majority of the cabinet, of the advisory Council of the Realm, and of the legislature. Prince Juan Carlos would then be sworn in as king within eight days. If Franco dies or agrees to a transfer, the Prince would automatically succeed and be sworn in, also within eight days.



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The overriding factor in the transition will be the wish to preserve the image of national unity by following the precise terms for the succession devised by Franco. It is unlikely that any important political sector will question efforts to preserve this image of national unity. In the event terrorists and disaffected elements try to prevent an orderly transfer of power, the government, backed by the Civil Guard, is expected to be able to preserve order.

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Party chief Brezhnev greets President Giscard in Moscow

## USSR-FRANCE: A CHILLY VISIT

The Soviet-French "special relationship" looked a little frayed around the edges at the end of French President Giscard's four-day visit last week. There apparently was less than met the eye to the mid-visit changes in Giscard's schedule, but the two countries are obviously having to strain hard to find new areas of substantive agreement.

The principal documents signed by Giscard and party chief Brezhnev were a brief formal communique and a friendship declaration. The declaration speaks of the need to deepen bilateral consultations, but does not formally change the 1970 protocol on consultations. It stresses the importance of summit meetings and agrees to hold them on a "periodic basis," which may be a step toward formalizing the annual summit conclaves.

The French endorsed the Soviet proposal to convene a world disarmament conference, probably because they regarded this as the least painful way to appear responsive to Soviet pressure on disarmament matters. The declaration makes no explicit mention of the European force reduction talks, which the French have refused to join.

The declaration refers in glowing terms to the European security conference, with both sides pledging to implement fully all the provisions of

its final act. Another phrase, however, suggests that the implementation will be achieved through "bilateral agreements and understandings," an apparent nod toward the Soviet view that the agreements made in Helsinki concerning improved East-West contacts are not automatically self-implementing.

The French made some progress on East-West contacts. The Soviets agreed to issue multiple exit-entry visas for journalists along the lines of the US-Soviet accord, and also agreed—unenthusiastically according to the French—to consider convening a working group to discuss improved working conditions for journalists.

Bilateral agreements were signed on cooperation in civil aviation, tourism, and energy. Most of these had been negotiated beforehand and were intended mainly to ensure some tangible results from the talks. Sizable trade agreements were also signed, and Giscard said that the possibility of increasing French oil imports from the Soviet Union was discussed, but no agreements were reached.

What would have been a routine visit attracted considerable attention on the second day

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when the Soviets abruptly postponed for two days Giscard's talks with Brezhnev and the related ministerial meetings. Some mystery still surrounds this decision. The two leaders had differed over the propriety of ideological detente the night before, and it is possible Brezhnev decided a show of diplomatic pique was appropriate.

It is also possible that Brezhnev's health was a factor. Over the past year Brezhnev's physical stamina has waned. He can and does work quite hard in spurts, but he apparently can no longer sustain a heavy schedule over a long period. In the ten days before Giscard's visit, Brezhnev met with Portuguese President Costa Gomes, participated actively in the three-day visit to Moscow of East German party chief Honecker, and conferred with Syrian leader Asad. It is possible that

he felt the need to slow his pace last week in view of his busy schedule between now and the party congress next February.

Nevertheless, newsmen who saw Brezhnev on the closing day of the talks said he was looking well. Despite the cold, he accompanied the French President to the airport for his departure and seemed animated and in good spirits.

By the end of the visit, both Soviet and French officials seemed anxious to put to rest the rumors of serious substantive or health problems. Brezhnev brushed off his absence, saying it was due to a cold. The impression remained, nevertheless, that the Giscard-Brezhnev relationship has not yet achieved the amicability that existed between Brezhnev and Pompidou. [redacted]

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## EUROPE: COMMUNIST PARTY CONFERENCE

Delegations from 27 communist and workers parties that met in East Berlin, on October 9 and 10 apparently made some progress toward holding a European conference of communist parties. The Soviets evidently decided that just getting the conference held was more important than holding out for a strongly worded and binding final conference document. As a result, they apparently made some concessions. A number of problems must still be overcome before the formal conference can be held, but the outlook for its convening late this year or early next year has improved.

Although [redacted] the draft of the conference document presented in East Berlin was more acceptable than its predecessors, the East Germans were nevertheless instructed to produce yet another draft incorporating the comments and criticisms made at the East Berlin meeting. A sub-working group will meet in East Berlin sometime next month to discuss the latest version before referring it to an editorial commis-

sion later in November.

Among the problems still to be resolved are how to describe the relationship between the communist and Western socialist parties, and how to sell Moscow's interpretation of the Helsinki summit document. Independent-minded parties such as the Italians, Romanians and Yugoslavs still differ with the Soviets over these points.

*New Times*, a Soviet foreign affairs weekly, said the recent Berlin meeting was an "important" step forward, but stopped short of predicting that a European Communist conference is a certainty. By conveying a positive impression of the conference preparations, the journal is showing how the separate parties intend to exploit its outcome. If a bland noncontroversial final document is eventually signed by the European Communist parties, each will be able to cite those portions that accord best with its own positions and to portray the conference outcome as a victory for its own principles. [redacted]

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**ROMANIA: MERCHANT FLEET EXPANSION**

The Romanians are expanding their merchant fleet so it can carry a greater share of their growing foreign trade. It now carries about 30 percent of the country's seaborne foreign trade. Since 1971, the fleet has nearly doubled in tonnage, adding about 500,000 dead-weight tons, a major portion coming from Romania's own shipyards.

Domestic yards have supplied nearly 200,000 deadweight tons to the fleet since 1971, nearly all of which are general cargo ships and bulk carriers. Domestically produced tonnage represents nearly 40 percent of all acquisitions and 75 percent of dry cargo additions to the fleet since 1971.

Over one half of Romania's domestic ship production goes to other countries. Fostered by a guaranteed Soviet market for its surplus products, these yards export dry cargo vessels to the Soviet Union, bulk coal carriers to India, and semi-container ships to Norway.

The current five-year plan began with a fleet of 53 ships, totaling 595,000 deadweight tons. Acquisitions during the first three years were modest, totaling only 112,000 tons. The additions of three Japanese-built tankers totaling nearly 260,000 tons and substantial other tonnage brought acquisitions in 1974 to 373,000 tons. Total additions for 1975 should go over 130,000 tons if two bulk ore carriers are delivered.

At the end of 1970, general-purpose dry cargo ships and tankers each accounted for about one third of the fleet. The purchase of the Japanese-built tankers brought the tanker inventory to nearly 40 percent of the fleet by mid-1975. Despite the acquisition of bulk carriers totaling 125,000 tons since 1971, their share of total fleet tonnage dropped to 32 percent by mid-year. The fleet's portion of dry cargo tonnage also fell slightly to 28 percent during this period.

The 1976-1980 plan calls for an ocean-going fleet of nearly 200 ships totaling 3.2 million

deadweight tons, an increase of 1.8 million tons over 1975. Tankers and bulk carriers will account for much of the expanded tonnage. Planned growth will allow Romanian ships to carry over 70 percent of its seaborne foreign trade by 1980.

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**NATO-GREECE: TALKS TO BEGIN**

On the eve of negotiations to restore Greece to full partnership in the alliance, the outlook is for protracted talks with chances for success heavily influenced by whatever progress is made in the Cyprus negotiations.

Athens' decision last summer to withdraw from the military side of NATO, made after Turkey's invasion of Cyprus, has never been fully implemented. Greece now occupies a position within the alliance somewhere between its original commitment and the French example of total military withdrawal. This may prove difficult to alter because a modified Greek commitment is generally suited to the present requirements of Greek policy.

Surrounded by unfriendly neighbors and lacking adequate means for its own defense, Athens retains an interest in maintaining ties to the alliance. Yet the present arrangement of limited membership is acceptable to the Greek public, which continues to hold the alliance responsible for failing to prevent the Turkish action against Cyprus. In order to free attention and resources for the Turkish problem, Greece has sought to convene a Balkan Conference that would encourage good relations with its communist neighbors. To guard against diplomatic and political isolation from its European allies, Athens has pledged fealty to Europe and vigorously pressed its application for EC membership. These efforts to buttress Greek independence nevertheless do not adequately satisfy Greece's security requirements.

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The negotiations with NATO will focus on two related issues: the renewal of regional command ties with Turkey and the restoration of Greek forces to NATO command.

Prospects for restoration of Turkish communications and overflight rights on the southern flank appear good. There are strong military reasons for ending Turkey's strategic isolation, and the allies are determined to bring pressure to bear on Greece to satisfy NATO requirements as well as Turkish needs. Athens has recently indicated willingness to discuss these points. Furthermore, Greek Prime Minister Caramanlis is prepared to argue that such concessions do not compromise a qualified Greek commitment to NATO because this type of regional cooperation satisfies Greece's own defense needs in the event of an East-West conflict.

Restoring Greek forces to NATO command is likely to prove more difficult. A substantial improvement in Greek-Turkish relations would be necessary before this could take place.

Greece indicated recently that it is prepared to soften earlier reservations regarding the commitment of its forces to NATO command, which again suggests a new willingness to reconsider its present position in the alliance. Evidence of a Greek desire to retain substantial control over its forces was also clear, however, in the failure of the Greeks to clarify the precise terms of the new Greek relationship.

Turkey has argued that unless and until Greece agrees to submit its troops to the authority of NATO's integrated command, Athens will not have met the minimal political and military requirements of an ally. The alliance itself is in agreement on this point and is sensitive at the moment to the need to emphasize allied political unity. Accordingly, it will allow the negotiations to go forward at a leisurely pace out of a prudent respect for the political barriers to Greek-Turkish

cooperation. The allies will continue to emphasize that financial assistance and the continued commitment of tactical nuclear weapons to Greece's defense depend upon an unqualified Greek commitment.

Progress on the Cyprus question is clearly critical to progress in the NATO talks. Yet Prime Minister Caramanlis' assurances that a satisfactory settlement of this question will enable Greece to resume full military participation in the alliance is probably exaggerated. Other problems, such as the dispute over Turkey's rights in the Aegean, are likely to continue to aggravate Greek-Turkish relations. Under these conditions, Greece is likely to seek to retain for a while the benefits of security at reduced cost. In the long run, however, Greece needs the alliance, and a return to something resembling the original Greek commitment seems likely, provided there is progress in the Cyprus negotiations and some negotiating skill on the part of the allies



Prime Minister Caramanlis

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## EGYPT-US: SADAT VISIT

President Sadat will arrive in Washington next week in search of both a symbolic and a tangible affirmation of a friendship that is now more vital than ever to Egypt and to his own position within Egypt. Sadat's leadership of the Arab world is hanging in the balance as a result of the second Sinai disengagement agreement. Even his position at home, although apparently secure at present, is vulnerable over the longer term.

He will use his trip to demonstrate to Egyptians and to other Arabs the symbolic importance of his success in winning the good will of the US after years of estrangement. To give substance to the symbol, he will seek expressions of that friendship in the form of economic and military aid. He needs this aid to compensate for his growing isolation in the Arab world and, more importantly, to reassure his domestic constituents that his foreign policy has not bankrupted Egypt.

Sadat's chief purpose in signing the interim accord with Israel last month was to obtain a respite from preparations for war so he could devote total attention to revitalizing Egypt's badly neglected economy. He will look to the US for financial and technical assistance in overcoming the many obstacles that confront this endeavor, ranging from the immediate problems of an enormous balance-of-payments deficit to the longer range problems posed by bureaucratic inertia and Egypt's inability to plan adequately for economic development. Sadat will probably seek a multi-year commitment for economic support, US government assistance in attracting private US investment in Egypt, and technical assistance in orienting Egypt's socialist economy toward greater liberalization.

Sadat will also ask the US for arms. The fact that the US delivers arms to Israel does not in itself bother Sadat; he recognizes this relationship as a necessary ingredient in Washington's ability to press Israel for diplomatic concessions. The fact, on the other hand, that the US does not deliver arms to Egypt as well does bother Sadat. To him, it

is a symbol of virtually the only thing still wrong in the US-Egyptian-Israeli triangle: that the US still puts Egypt in a second-class status and still regards Israel's interests as more deserving of attention.

Sadat needs US arms, moreover, as a support for his own domestic position. He has long been subject to criticism from the Egyptian military establishment for so estranging the Soviets that Egypt's source of arms and spare parts has been endangered. The fact that he has successfully used the concomitant improvement in relations with the US to regain Egyptian territory—and has at least begun the process of obtaining arms from the West—has eased the criticism. Unless he obtains US arms, however, he may come under heavy criticism from the military for seeming to condone US efforts to reinforce Israel's military superiority while allowing Egypt to lapse still deeper into a position of military inferiority.

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President Sadat

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**SPANISH SAHARA: MOROCCAN MARCH**

King Hassan accelerated preparations this week for a mass march into Spanish Sahara by 350,000 unarmed Moroccans; the first groups may reach the border early next week. Despite Hassan's protestations that the march will be peaceful, clashes could occur with Spanish forces or with armed elements of indigenous Saharan political groups that want independence for the region. Both Spain and Algeria are clearly unhappy over the King's latest gambit in his effort to annex the disputed territory.

The first contingent left by bus, truck, and train on October 21 from Ksar es Souk in the Atlas Mountains for Tarfaya. More than 500,000 Moroccans reportedly volunteered to participate; Moroccan authorities are said to have selected only those physically fit to endure the trek. Most of the volunteers seem unconcerned about the hardships they will face, accepting on blind faith that the monumental logistic problems will be overcome.

By staging a civilian march, King Hassan hopes to avoid a direct confrontation with superior Spanish military forces. He has given notice, however, that Morocco will fight in any encounter with non-Spanish forces, presumably meaning any Saharans and possibly Algerians who might try to oppose the marchers.

Hassan apparently hopes to head off a debate on the Spanish Sahara issue in the UN General Assembly this year. Rabat's cause was seriously weakened by the opinion issued last week by the International Court of Justice, which in effect endorsed self-determination for the territory, and the King probably fears that any General Assembly debate would culminate in a new and stronger resolution in favor of self-determination. Morocco and Mauritania claim historic sovereignty over Spanish Sahara and insist that Madrid should turn the territory over to them on the basis of the principle of territorial integrity. The planned march is clearly intended to overcome Spain's reluctance to settle the issue.



Hassan

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through direct negotiations with Rabat and Nouakchott.

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Contacts between Madrid and Rabat this week have made some Spanish officials optimistic that an agreement can be reached that would at least reduce the tension surrounding the march.

The King restated in a speech on October 23 his intention to proceed as planned.

Meanwhile, Spain petitioned the UN Security Council to enjoin Morocco from staging the march on grounds that it jeopardizes peace and ignores the rights of the Saharans to self-determination. On October 22, the Council approved a resolution requesting all parties to exercise restraint and begin a dialogue. The resolution also authorized Secretary General Waldheim to begin immediate consultations to resolve the dispute. It avoided, however, any direct mention of Morocco's planned mass march.

In El Aaiun, the Saharan General Assembly, comprised of indigenous tribal and religious leaders, has condemned the Moroccan march and announced plans to resist the "invasion" of their territory. The major Saharan political parties in the territory—the Spanish-backed Saharan National Union Party and the Algerian-backed Polisario Front—have said they would stage a countermarch north to the border. Both groups probably have access to arms. Should either become involved in clashes with the Moroccans, the 12,000 to 15,000 Moroccan troops deployed in southern Morocco might well intervene. Such an intervention could escalate and involve Spanish and Algerian forces in the area.

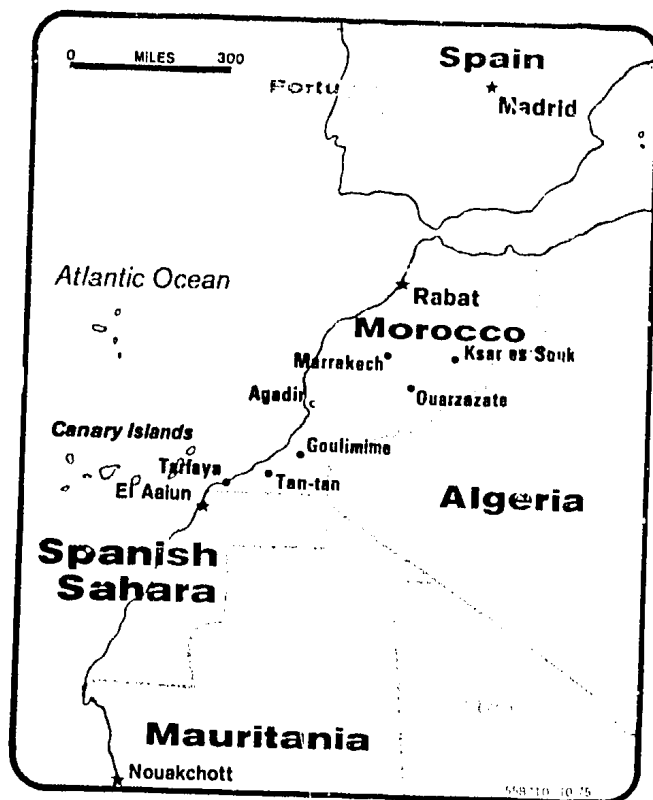
Algeria, surprised by Morocco's move, has begun a diplomatic and propaganda campaign in support of self-determination for Spanish Sahara. On October 20, the Foreign Ministry summoned Arab, Islamic, and African ambassadors in Algiers, presumably to stress that the Saharans' right to self-determination must be respected, in keeping with the Court's opinion and a recent report by a UN fact-finding group. The Algerian press has

labeled Morocco's policy as imperialism. On October 22, the government-controlled radio charged that Algerians living in Morocco are being prevented from leaving the country and that Rabat has suspended rail service between the two countries.

Algerian officials have indicated they would prefer a transition period in which Spain would have a considerable role. This would be followed by a referendum offering a range of options from independence to union with Morocco and Mauritania.

Algeria is also taking defensive precautions along its western border with Morocco. Although Algiers will probably not initiate hostilities with Morocco, its reinforcement of the border area will exert pressure on King Hassan and may tie down a large number of Moroccan troops. The Algerians can be expected to provide arms to the Polisario Front and possibly some "volunteers."

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**LEBANON: NO SOLUTION**

Intermittent and sometimes heavy fighting between Muslim and leftist elements and their Christian adversaries continued in Beirut this week as efforts to find a political solution appeared to be making no progress. The economic damage from the long crisis is mounting.

Most of the fighting was in Beirut's southern and eastern suburbs, with particularly intense clashes taking place between the Sunni Muslims of the Ras an-Nabeh region and the Christians of Ashrafiyah. Over the weekend of October 18-19, the fighting also briefly threatened to spread to the Ras Beirut section in the western suburbs where many Americans live. Except for a few minor clashes, Tripoli, in northern Lebanon, and Zahlah, east of the capital, have remained quiet.

Kidnaping continued during the week with both sides using mobile roadblocks as a means of snatching members of opposing groups. On October 22, two USIA officials were taken from their car by armed men at a roadblock in a largely leftist-controlled southern suburb of the capital.

The Christian Phalanges Party opposes any concessions to the country's Muslim majority. It still insists that security be restored and the question of "sovereignty"—a reference to the Palestinian presence—be settled before constitutional reforms are considered. Early in the week, Phalangist leader Pierre Jumayyil threatened to pull his organization out of the national dialogue committee, charging that attacks on Christian areas of Beirut are intended to force the Christians to make concessions. Saeb Salam, a former prime minister and a moderate Muslim leader, warned that if reforms were not made soon, "the whole system will be swept away."

Lebanon's parliament reconvened this week, and the question of its role in finding a solution to

the crisis will be intensively discussed over the next few weeks. Interior Minister Shamun believes the "recommendations" of the dialogue committee must be endorsed by parliament as a legally competent body. It is unlikely, however, that the politically impotent parliament will have any success in resolving the conflict.

On the economic front, the fighting is rapidly causing Beirut to lose its status as the business center of the Middle East. Some major firms, such as McDonnell Douglas and Bechtel Corporation, have already pulled out. Bank of America, First National City Bank, and General Motors have also evacuated employees and their families.

If hostilities ceased, most of the firms would probably return because there is no readily available alternative to Beirut as a regional business center. Athens is too far away, Cairo is over-taxed and over-bureaucratized, and Amman, Kuwait, and other Gulf cities that would like to replace Beirut cannot match its communications network, highly trained work force, or housing and educational facilities.

If the fighting goes on, some companies are likely to consider controlling their Middle East operations from outside the region and eventually may bypass Beirut altogether.

The impact of such a shift would be disastrous for Lebanon. Physical destruction and lost tourist and trade earnings are already estimated at some \$3.5 billion—nearly a full year's gross national product. A loss of earnings from financial services, transit fees, and other commercial services would turn Lebanon's usual trade surplus into a chronic deficit. Two thirds of the country's gross national product is drawn from its services, primarily banking, commerce, and tourism.

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## SYRIA-ISRAEL: GOLAN TENSIONS

The Syrians, while continuing their propaganda attacks on the Sinai accord, have taken some military measures recently that may be aimed at raising tensions on the Golan Heights again. With the mandate of the UN observer forces up for renewal at the end of next month, Damascus probably hopes to create as much uncertainty as possible about its real intentions until then in hopes of prodding the US and Israel on negotiations. So far, Israel's public reaction has been low key, but Tel Aviv is clearly watching the situation on the Heights closely.

Both the First and Third Syrian armored divisions—the core of Syria's armored strength—have been returning to their regular positions near Damascus over the past few weeks. They were sent to the northeast last spring at the height of tensions with Iraq. In themselves, these moves are not alarming.

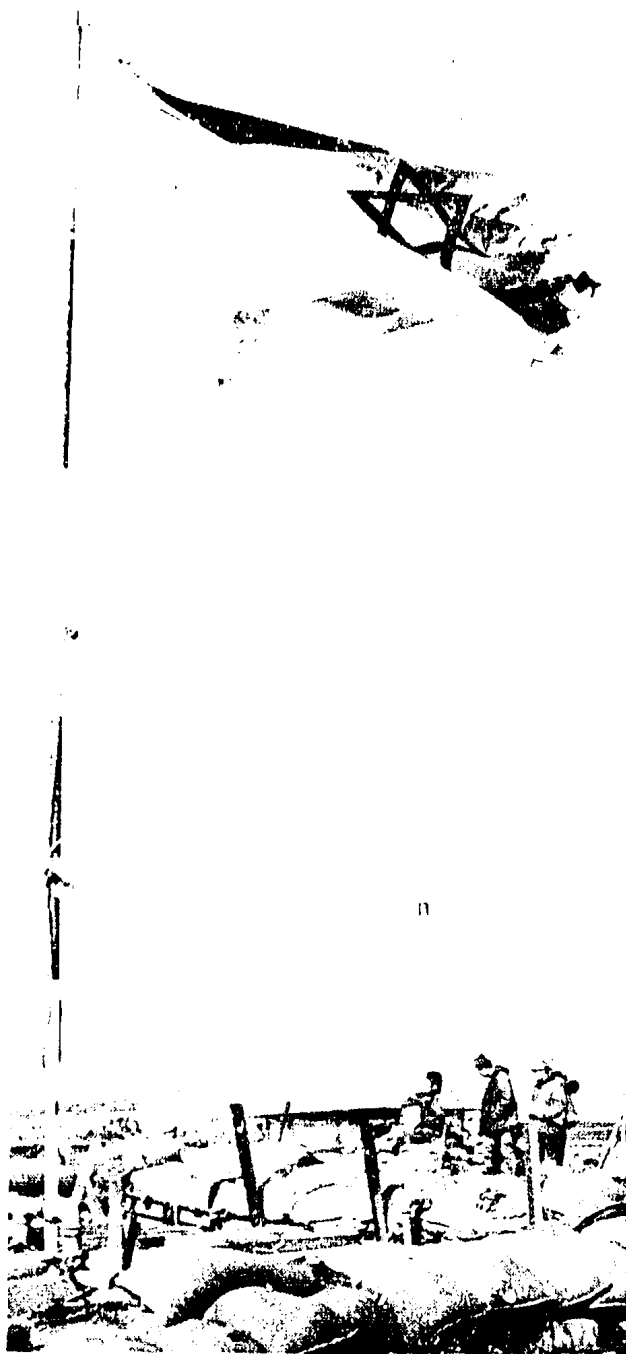
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Late last week, about two brigades of Syrian troops, possibly unconnected with the movement of the armored units, were also spotted strung out on the road from Homs, north of Damascus, to a point 25 miles south of the capital.

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Meanwhile, there were reports in Damascus last weekend that the Syrians are planning a limited military operation of short duration to seize some Israeli-held territory along the disengagement line. Such a plan cannot be entirely discounted. The Syrians could calculate that the US would restrain the Israelis in order to keep the fighting from spreading and jeopardizing the Sinai accord.

On the other hand, the "plan" may have been only a story deliberately leaked by the Syrians to increase tensions over the next few weeks. The Syrians could hold exercises near the front and call up some reservists, making it almost impossible to tell a real operation from a bluff.



Israeli position on the Golan Heights

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The objective would be to force the US to step in quickly to defuse the situation and refocus its efforts on obtaining a Syrian-Israeli accord.

In a recent interview with a Kuwaiti newspaper, Syrian President Asad casually dismissed the importance of the UN mandate, stating that Syria would extend the mandate if it were in its interests to do so, but that the presence of the UN observer forces would not make any difference if Syria decided to go to war. Asad's remarks and those of other Syrian officials suggest that no official public decision on the mandate should be expected before late November.

The Israelis, for their part, may have instructed their forces on the Golan to adopt a more aggressive posture to signal Damascus that Tel Aviv is fully alert to the possibility of renewed fighting. [redacted]

[redacted] have deliberately initiated a number of minor incidents in the vicinity of the disengagement line during the past few weeks.

Both the Israelis and the Syrians, in fact, have recently committed an increasing number of minor violations in the UN buffer zone. Last week, two Syrian shepherds were killed by the Israelis in a disputed part of the zone, and this week the Syrians claim to have clashed with an Israeli patrol. Such violations and provocations are certain to keep both sides on edge and could lead to more serious incidents. [redacted]

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## ANGOLA: DIM PROSPECTS

With less than three weeks to go before the scheduled date for independence—November 11—the chances of a political settlement being arranged among Angola's warring liberation groups still appear dim. Portugal may withdraw from the territory without formally transferring sovereignty to anyone.

After almost two weeks of new fighting, the Zairian-backed National Front for the Liberation

of Angola has made some progress in northern Angola. Front forces are now within 12 miles of Luanda, the capital, which has been controlled since June by the Soviet-backed Popular Movement for the Liberation of Angola. Front troops apparently have met less resistance than they had expected.

Unless the Popular Movement's resistance stiffens, the Front could be emboldened to try fighting its way back into Luanda. Since being driven from the city, the Front has based its strategy on the premise that its forces could not militarily re-enter the capital, but that they could maintain a siege of the city that would be sufficient to pressure the Movement into agreeing to a coalition government.

In central Angola, forces of the Popular Movement and of the National Union for the Total Independence of Angola have fought to a standstill. The Popular Movement wants to capture Nova Lisboa, the headquarters of the National Union, and the National Union wants to recapture the port of Lobito, which has been held by the Popular Movement since August.

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The reconciliation committee recently sent to Angola by the Organization of African Unity returned to Kampala on October 21 after conferring with the three liberation groups. [redacted]

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Lisbon is still trying to put together some sort of coalition to take over on November 11. Earlier this week, a high-ranking Portuguese cabinet minister arrived in Angola to talk with liberation group representatives. Barring a take-over of the government in Lisbon between now and independence by radicals who would recognize the Popular Movement, Lisbon may unilaterally transfer sovereignty to all three groups in the name of the "Angolan people," leaving the final solution to a military struggle among the liberation groups. [redacted]

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## CANADA: TRUDEAU CHALLENGED

The Canadian postal and sorters union has quickly challenged the Trudeau government's new economic program by shutting down post offices in virtually all major cities. The union is demanding salary increases far in excess of those allowed under the control program. The postal workers' action is aimed directly at the main goals of the control plan which are to check excessive wage increases and to refurbish Prime Minister Trudeau's image as a "take-charge" leader.

The union, demanding a 51-percent increase over a 12-month period, rejected the recommendations of an official arbitrator for a 38-percent wage increase over a 30-month period. The government was willing to grant the 38-percent raise even though it exceeded the control program's guidelines. A provision in the new program grants exceptions for such raises to workers whose jobs are closely related to those of another group which recently has gained a more favorable settlement. Canada's other major postal union, the letter carriers, received a 38-percent wage hike in April.

The large wage settlements this year have been a major factor contributing to Canada's inflation, which is running at a rate higher than that of most major industrial countries. The competitiveness of Canadian goods on world markets has been affected, and the nation's trade deficit has grown rapidly.

Canadian labor leaders were quick to recognize that Trudeau's economic program was aimed chiefly at controlling wages. In addition to the postal workers, several other unions have threatened to ignore wage controls or to challenge their constitutionality in the courts. The Trudeau administration had hoped the first case to come before its new Anti-Inflation Review Board would deal with a rollback of prices in order to convince labor of Ottawa's good faith. The postal strike appears to have upset this strategy.



Prime Minister Trudeau

Trudeau has staked his political future on a bold program of economic controls to check inflation and cannot afford to back down. Members of his own Liberal Party have threatened to call for a special leadership convention at a party conference next month—a move some observers felt might have the support of 20 to 25 percent of the conference delegates. Trudeau hoped to avoid this blow to his prestige as party leader by announcing the new economic program.

The postal workers may eventually compromise on a wage settlement along the lines of the government offer. In the meantime, however, Trudeau's political skills will be severely tested as he seeks the necessary nationwide support for his program and his own leadership. A portent of trouble ahead was the defeat last week of Trudeau's hand-picked candidate, Communications Minister Juneau, who lost a by-election in a working class Montreal constituency that had been held by Trudeau's Liberal Party for over 50 years.

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**SELA CREATED**

The Latin American Economic System, a new scheme for economic integration among Latin and Caribbean governments, was established at a ministerial meeting in Panama on October 17. The process that led finally to its formal creation generated heightened sensitivity among the governments to each other's political needs as well as some new formulas for regional cooperation.

Headquarters of SELA will be Caracas, its secretary general is a former finance minister of Ecuador, and its starting administrative budget of \$400,000 will derive from a carefully contrived dues-paying system based on ability to pay. SELA was shaped as a fairly loose federation with modest long-range goals, minimal structure, and some concrete plans for joint enterprise.

The emergence of SELA as a forum for practical business and technical exchange among members is largely the result of the resistance by a bloc of nations to the visionary and ideologically inclined motivations of its original promoters. The



President Echeverria

notion of SELA was first advanced over a year ago by Mexican President Echeverria, more as a rhetorical flourish than a considered idea. Venezuela's President Carlos Andres Perez, a proponent of Latin unity, actively supported the concept. The highly nationalistic governments were attracted to the proposed organization by its exclusion of the US but inclusion of Cuba, and by the expectation of financial support from wealthy Venezuela, Brazil and several other countries feigned interest for the sake of Latin unity but were exceedingly reluctant to let themselves be trapped in yet another controversial Third World association whose principal function might be to rail against the US.

Rather than rolling with the political tide that had often swept them into unanimous positions and resolutions with which they felt uncomfortable, the governments of Brazil, Uruguay, Argentina and others industriously participated in the negotiations preparatory to SELA's founding. They insisted on rules to prevent SELA's decisions from becoming obligatory, they demanded specific goals for the organization, and they offered various drafts of charter language and development proposals. The candid exchange of views created an atmosphere of cooperation and positive thinking, so that the large majority of the members have come to view SELA as a business-like association for formulating regional strategy, setting up multinational corporations, funding regional transportation and communication systems, and other practical ventures.

The experience is likely to attract the interest of the less assertive governments in playing a more active role in regional affairs. For the lighter weight pretenders to regional leadership, the experience may prompt some sober thoughts about the wisdom of introducing confrontational issues into regional bodies in view of the sharp political differences produced by the Echeverria-Lopez initiative and the unlooked for concern expressed by some countries over the appearance of institutionalized antagonism toward the US.

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**BOLIVIA-CHILE-PERU**

Despite the lofty rhetoric emanating from the meeting in Lima last week of the military leaders of Bolivia, Chile, and Peru, the noncommittal joint communique clearly indicates lack of agreement on two basic issues involving the three Andean nations: regional arms limitation and Bolivian access to the sea.

Related talks were held in La Paz last August and in Santiago in early September; a follow-up meeting on arms limitation is scheduled for Santiago next January. Beyond expressing support for the arms talks and committing themselves to "a method of consultation regarding military matters," the participants added little to the oft-expressed desire to ease tensions in the area.

**Limiting "Offensive" Weapons**

Regarding the possibility of a regional agreement to limit "offensive" weapons and future arms acquisitions, the three countries apparently have been unable to agree even on the basis for measuring the relevant factors. In the draft recommendations, there are proposals to prohibit highly sophisticated armaments, including weapons of biological and chemical warfare, nuclear weapons, attack carriers, ballistic missile systems, and long-range heavy bombers—all items out of reach of these nations in any case. When they discussed specifics, however, Chile and Peru reportedly had major differences on what types of artillery, tanks, or missiles should be subject to limitation.

Peru clearly is hesitant to tie its hands regarding future military purchases, including those from the USSR, while Chile wants to retain the right to build up its forces to at least parity with Peru.

**Landlocked Bolivia**

Bolivia, [REDACTED]

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[REDACTED] for concrete discussions concerning its lack of sovereign access to the sea had to settle for the now familiar Peruvian refrain supporting Bolivia's desire in principle and "in accordance with international law."

The evident lack of enthusiasm by Lima and Santiago for resolution of Bolivia's landlocked status supports earlier indications that neither side seriously contemplates ceding any territory to Bolivia at this time. Although there are indications that Lima might consider a plan creating some form of international zone in Chile through territory Peru lost in the War of the Pacific nearly a century ago, even that may be little more than a tactical maneuver to delay further substantive negotiations and put Chile on the diplomatic defensive.

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Chile has been studying a Bolivian proposal submitted in late August that it cede an 8-mile corridor along the Chilean side of the border with Peru, and La Paz has announced that a response is expected by mid-November. There is some resentment in Chile over Bolivian President Banzer's agitation for a quick settlement. Nevertheless, the Bolivian proposal is being discussed at a high level in the Chilean government, and the US embassy reports that navy leaders are

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already voicing strong opposition to any change in sovereignty.

Santiago probably has not yet formulated any firm counterproposal, but it may be considering some kind of long-term lease or the establishment of an international enclave. There might be strong military opposition to this idea, however, particularly if tripartite control appeared to give Peru a foothold in territory that it lost to Chile in the war.

President Banzer has stated squarely that his country wants full control over a land connection to the Pacific—a position that leaves little flexibility for negotiation. The Bolivians may hope that Chile's current international difficulties and signs of hemispheric solidarity for their cause will force President Pinochet to concede territory. These hopes probably are not well founded, for Chile has been careful so far not to commit itself to much more than agreement to study Bolivian aspirations.

#### Continued Discussions

Continued tripartite discussions on the Bolivian problem and the issues underlying the Lima meeting are certain. While all three parties genuinely desire to maintain stability in the area—for various and not always complementary reasons—the basic patterns of mistrust, nationalism, and perhaps conflicting military goals seem likely to block any substantive agreement on important regional problems in the near future. [redacted]

#### CHILE: SECURITY CRACKDOWN

Wide-ranging actions by Chilean security forces in recent weeks suggest that the government is making a determined and apparently successful effort to destroy vestiges of underground extremist organizations.

The Movement of the Revolutionary Left (MLR), which supported Salvador Allende's Popular Unity government, was dealt a severe

blow when its second-in-command, Dagoberto Perez Vargas, was killed by police in a shootout near Santiago on October 15. Five other members were captured, and four who escaped are being tracked by police. One of the escapees is reportedly believed by officials to be Andres Pascal Allende, the former president's nephew, who became leader of the MLR when its former chief was shot down by security forces a year ago. His capture or death would be a major setback for the group.

Large quantities of weapons, many of which had been hidden prior to the military take over, were discovered during the past month [redacted]

The arms in most cases were probably intended for the more violence-prone MLR or left-wing Socialists. The discovery of six caches of medical supplies and plastic surgery equipment for a clinic suggests that efforts were under way to build up the underground organization and possibly prepare for an eventual struggle against the regime.

The government has also arrested several dozen leftists on grounds of printing and distributing pamphlets, presumably of an anti-government nature.

Terrorist action by the MLR has become increasingly rare as a result of the vigilant countermeasures by the military government. In a recent communique published in Argentina, the MLR warned that it was prepared to begin "a vast reprisal" against firms and governments that invest in Chile. There have been no indications, however, that the group is able to mount a terrorist offensive of any magnitude. At most, it is capable of isolated acts of violence, and chances of this may be reduced as government raids drive it further on the defensive.

Recent successes will reinforce the determination of the Pinochet government to maintain strict security measures. The government has frequently justified its hard-line tactics as the major factor in reducing leftist-inspired violence, and it now can point to evidence that a subversive threat still exists. [redacted]

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President Peron resumes official duties

## ARGENTINA: PERON'S RETURN

President Peron's resumption of her duties last week failed to bring on the open political crisis that many had feared. Instead, her non-controversial address to a Peronist rally may have smoothed fears in military and business circles and renewed her government's lease for a time. Opposition is still strong, however, and unless she is now prepared to accept a purely ceremonial role, she could at any time provoke serious problems.

Initially, at least, she appears to have submitted to a degree of advice and direction from the generals and politicians trying to keep Argentina on an even keel. She adhered closely to a

prepared text, obviously approved in advance by Peronist and military leaders. It touched on three popular themes—evoking the memory of her husband, denouncing terrorism, and promising support for the military's fight against subversion. In addition, she repeated an earlier promise to resume the dialogue with all political groups that was begun by Juan Peron. Despite increasing pressure for further wage hikes, and the popular acclaim she could have reaped by promising them, Peron said there would be none.

The crowd received the President's remarks with relatively little enthusiasm. Those loyal to Peron worked hard to fill the Plaza de Mayo, but

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the turnout of 50,000 to 70,000 was not impressive compared to previous rallies.

The surface calm may be only temporary. The return of the widely discredited President undoubtedly will exacerbate tensions, especially within the factionalized Peronist movement.

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In the meantime, Interior Minister Robledo, who is well regarded by the military, has promised the officers that he will coordinate government activities and ride herd on the unpredictable President. If he can do this without being perceived as a man who seeks to aggrandize himself, the administration stands a chance of limping along for some time.

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## HONDURAS - EL SALVADOR

### Treaty Unlikely

Honduras' recent initiative in seeking a treaty with El Salvador seems destined to founder, and last week's military moves, alerts, denials, and increased fears are likely to be a way of life along the border for some time to come.

Salvadoran President Molina and Foreign Minister Borgonovo in conversations with the US ambassador were notably unenthusiastic about the draft Honduras presented to the OAS on October 2 in another effort to normalize relations disrupted since the 1969 soccer war. The Salvadoran officials were probably piqued because Honduras gave them no advance notice. They also prefer informal bilateral contacts rather than formal organizational approaches that might raise the threat of binding arbitration. Indeed, President Molina felt that Honduras' action violated an informal understanding he had reached with Honduran Chief of State Melgar last July to pursue the bilateral path.

The Honduran draft reportedly proposes simultaneous resolution of the border demarcation problem and re-establishment of diplomatic and commercial relations. El Salvador has held that the complicated border problem should be approached only after restoration of relations. Honduras does not want to separate the two, feeling that it can exploit El Salvador's desire to boost trade by opening highways to gain agreement to a definitive demarcation. Honduras is five times the size of El Salvador, but feels threatened by its far more populous neighbor because of the border problem.

### Melgar and Molina to Huddle

Melgar and Molina are likely to discuss the issue at the Central American presidents' meeting scheduled for October 31 in Guatemala. There is unlikely to be any shift in the Salvadoran stance, however. *La Prensa Grafica*, Salvador's leading daily, stated on October 8 that if Honduras truly desires peace, it will separate the border question from its other proposals, more than likely an accurate presentation of the government's view.

An additional complication for El Salvador will be the legislative elections next March. The Molina government already faces problems and will try to avoid having the touchy treaty issue introduced into the campaign. Once through those elections, the country will be heading into a presidential campaign in 1977. Near-term progress is therefore unlikely.

Last week, reports of Salvadoran troop movements quickly prompted a Honduras "defensive" mobilization in the border area. The Salvadoran Ministry of Defense denied the reports and—despite a story in the sensationalist Honduran press—there were no clashes. Both sides, however, remain acutely sensitive to real or imagined movements near the frontier and this type of development boosts already exaggerated fears in the area. Given the bleak diplomatic outlook and the lack of regular communication between the military commands, a continued simmering border problem and occasional incidents seem inevitable.

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President Geisel

## BRAZIL: OIL DECISION UNPOPULAR

President Geisel's decision to allow foreign firms to prospect for oil in Brazil appears to be hurting the administration politically despite its efforts to dramatize the need for such a move. The new policy runs counter to nationalist sentiment, adds to the public impression that things are going badly for the country, and provides the opposition political party with a ready-made issue to exploit.

Geisel has experienced several significant setbacks since entering office last year amid speculation that he would greatly open up the closed

political system. Conservatives have prevented him from carrying his political liberalization as far as he wanted, although some progress has been made. Impressive gains for the opposition party in last year's remarkably free congressional elections undercut the government's prestige and evoked strong criticism from military conservatives who opposed holding the elections.

Economic problems, moreover, have been a constant headache and have tarnished the luster of Brazil's "economic miracle," during which the nation experienced several consecutive years of remarkably high growth rates. Thus, despite the strong backing he had on assuming office, Geisel's freedom of action has grown steadily more restricted.

The US embassy reports that the administration's handling of the decision, despite a media campaign designed to point out the need for relatively drastic action, was awkward. The leadership of the government party reportedly was not consulted and only informed of the decision just before it was made public. The result was to undermine further the party's sagging prestige.

The opposition, on the other hand, now has additional ammunition with which to attack the administration. It can point to authoritarianism in the failure to consult on the matter with the duly elected congress and can charge Geisel with reversing a 20-year-old refusal to allow foreigners to exploit Brazilian oil. Indeed, the party already has charged that the government had "other reasons, not stated" for its move. Moreover, the party has been strengthening its nationalist credentials for some time with its conduct of a parliamentary inquiry into the role of multinational business in Brazil.

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## THE KOREAN QUESTION AT THE UN

The Korean question is one of the most strongly contested issues to come before the UN General Assembly this year.

In the debate now under way in the Political Committee, the main topics are the status of US forces in Korea, how to terminate the UN command—established over 25 years ago—and how to arrange a mechanism for preserving the armistice.

The General Assembly cannot take decisive action to resolve these issues—US forces are in Korea under a bilateral agreement, and only the Security Council can end the UN command—but the debate could have an impact on stability in the Korean Peninsula.

North Korea and its supporters insist that when the command is terminated, US forces must withdraw and North Korea and the US should negotiate a bilateral peace treaty to replace the armistice. South Korea and its supporters oppose withdrawal of US troops and propose that all parties concerned—including Seoul—agree on measures to maintain the armistice machinery after the UN command ends.

### The Implications

Adoption of the pro - North Korean resolution would be used by Pyongyang to challenge the legitimacy of the US presence in Korea, of the UN Command and, by extension, of the armistice agreement, because the UN Command was the only allied signatory. It might encourage Pyongyang to assert a claim to the islands off the west coast of Korea, which the armistice agreement placed under UN control.

Passage of the pro-Seoul resolution would put the General Assembly on record in favor of continuing the armistice agreement. This would offset Pyongyang's recent diplomatic successes and reinforce international support for existing security arrangements in Korea. Still, the basic

problem would not be solved, and the North Koreans could try again next year to push their resolution through.

### A Close Call

The Political Committee's vote on the two draft resolutions will probably come next week and will be close. The pro-Seoul draft has a better-than-even chance, especially if, as anticipated, it gets voted on first. Japan, the UK, Canada, and France—in addition to the US—are actively lobbying for the South Koreans. Seoul will obtain sizable blocs of votes from Western Europe and Latin America, and it has worked diligently to retain the support of its friends in Asia, Africa, and the Middle East.

The pro-Pyongyang resolution will almost certainly also come up for a vote, and it too may pass, also by a narrow margin. North Korea's improved prospects result in large part from its success in adding nonaligned countries to its traditional communist supporters, as well as from new communist regimes that have come to power in Southeast Asia. Peking continues to help with strong rhetoric in New York and with lobbying in selected capitals. Moscow's support is now largely pro forma.

### If Both Pass

If the Political Committee passes both drafts, pressure almost certainly would develop for some kind of compromise in the General Assembly.

A group of Asian countries—Malaysia, Indonesia, Singapore, Thailand, and the Philippines—is considering a formula that includes provisions from both draft resolutions, and it might gather momentum. The Japanese, and even the South Koreans, have indicated that such a compromise might prove "useful" at some point. Still, given the sharp differences that exist between the two sides, the assembly session may end with conflicting resolutions and without clear-cut recommendations on Korea.  25X1

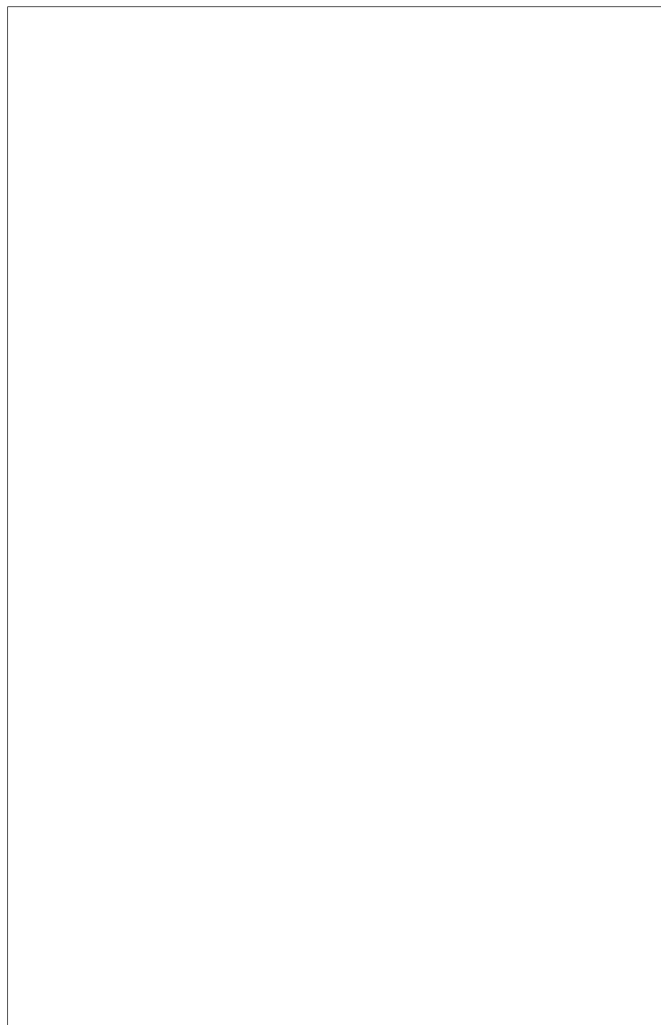
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Pathet Lao headquarters near Sam Neua, deep in the mountains of the northeast. During several days of festivities, leaders of the communist party, which goes by the name of the Lao People's Revolutionary Party, dropped all pretenses that they are merely nationalists fighting colonialism and imperialism. They proclaimed instead that their goal is to transform Laos into a "Marxist-Leninist society."

Although Kaysone Phomvihane was not explicitly identified as the top man in the party, the fact that he delivered the lengthy keynote address in Sam Neua is a clear indication that he occupies that position. Souphanouvong, who is still the titular leader of the Lao left, gave only a short and unremarkable speech.

In his talk, Kaysone said that the communists were willing to maintain diplomatic relations with Washington, if the US respects the sovereignty and independence of Laos, ceases support of the Lao rightists, and agrees "to help heal the wounds of war," a catch phrase for new aid. The inclusion of the aid provision gives the communists a pretext for breaking relations or for further harassment of the embassy in Vientiane at any time.

#### **No Place for Souvanna**

The anniversary celebrations also served to demonstrate once again that Prime Minister Souvanna Phouma does not have a meaningful role in the government. The communists hustled Souvanna, who was a founding member of the Lao independence movement in 1945, to Luang Prabang to prevent him from participating in the mass celebration in Vientiane. His only part in the festival was a short radio address read by the announcer that reviewed in a disjointed fashion the "30-year liberation struggle."

Pathet Lao leaders will probably make certain that Souvanna spends most of his time in Luang Prabang until after the elections scheduled for next April, when he will formally retire. Preparations for these elections, which will ratify the communist take-over and end the facade of a coalition, are well under way.

## **LAOS**

### **The Communists Celebrate**

Celebrations marking the 30th anniversary of the Lao independence movement have emphasized the totality of the communist grip on Laos.

A massive rally was held in Vientiane on October 12, but the real focus of activities was at the

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## CHINA'S COMPUTER INDUSTRY

China's computer industry has progressed significantly during the past several years. At least two types of digital computers have been produced with speeds of approximately one million operations per second. Several kinds of minicomputers have been developed, and an announcement was recently made that China had produced its first hybrid computer.

Fourteen plants and research institutes are known to produce computers in China. Peking Wire Communication Plant Number 738, the largest producer, began manufacturing vacuum tube computers in 1958 and transistor computers in 1965. The plant currently is manufacturing small, medium, and large-sized integrated circuit computers.

Shanghai Radio Plant Number 13 probably produces about 50 computers annually, including 30 to 35 general purpose digital computers. The production of a small number of analog computers is divided between Peking Radio Plant Number 1, the Shanghai Electric Relay Plant, and the Tientsin Instruments Plant. These plants have produced general purpose analog computers for scientific and engineering applications. Although little information has been available since the Cultural Revolution, analog and hybrid computers are probably widely used, particularly in defense-related establishments. The recently announced HMJ-200 hybrid computer system, designed by the Peking plant, could be used in the simulation of dynamic systems for military and space applications.

Workshops at design institutes also make a contribution to computer production in China. Third generation computers, for example, have been developed at a number of institutions located in Peking and Shanghai.

Production is still too small for assembly-line techniques. The plants assemble computers by

hand in batches of three to six. Production in 1975 is not likely to exceed 150 units. Of these, the vast majority will be digital types. Including imports, China probably has fewer than 1,500 computers in operation, compared with more than 100,000 in the US.

For priority civilian and military programs requiring the use of large-sized computers, China has built at least two models since 1973 that are comparable to the largest US machines that were commercially available in 1963. Within the next three to four years, the Chinese will probably be able to assemble on a one-of-a-kind basis a computer with nearly twice the present one million-operation-per-second capability.

During this period, domestically developed large-sized computers will probably not be adequate to satisfy all priority needs in such fields as weather prediction, control of large industrial complexes, seismic data processing, and military applications. The Chinese have recently purchased a large-sized IRIS-60 computer from France and considered purchasing a US Burroughs model 7700, the export of which was subsequently denied by the Department of Commerce.

A wider variety of digital computers using integrated circuits will probably be announced by the Chinese during the next three to four years. Development of minicomputers and large-sized computers with expanded capacities probably will be emphasized. Minicomputers for applications such as industrial control, testing and small-scale engineering problem solving undoubtedly represent the classes most needed by the Chinese. Improvement in computer design will be achieved by developing better system architecture and using more advanced integrated circuit technology. However, the Chinese are likely to be handicapped in trying to increase performance in large-sized models by an inability to fabricate core memories with sufficiently high speeds.

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